

ESG: Corporate social responsibility

Corporate social responsibility (CSR) forms an essential part of the social pillar in ESG (environmental, social and governance) activities. CSR is important to organisations' reputations and branding.

THE IMPORTANCE OF CSR

CSR involves the integration of social and environmental concerns within organisations' business operations. It includes activities such as contributing to charitable endeavours, such as health care, education, and the environment.

CSR comprises economic, legal, ethical, and philanthropic responsibilities. Economic responsibility concerns profitability, providing the foundation for voluntary social responsibilities. Organisations must operate legally. Ethical responsibilities refer to justice, equity and avoiding harm. Philanthropic responsibilities refer to corporate citizenship and community contributions.



CSR ACTIONS

CSR actions can be wide ranging from the demonstration of support for human rights through to supporting different social causes. For example, organisations may refuse to trade in certain markets known for human rights abuses. Organisations might also demonstrate commitment to fair trade. Support for local schools, community projects and charitable giving are examples of social cause actions.

INTEGRATING CSR & HR POLICY

CSR presents significant benefits for talent attraction, motivation, commitment and retention. Millennials in particular are attracted to organisations with high CSR principles and profiles.

There are ways that organisations can link their HR policy and practice with CSR to foster socially inclusive, profitable and sustainable organisational outcomes. Ethical and socially responsible HR practices include socially responsible and sustainable working practices. Following ethical labour standards provides an example.

HR policies may include a focus on employee well-being and engagement. Such an approach can lead to an enhanced organisational reputation, higher employee productivity, and a positive employer brand.

GLOBAL EXPANSION

When organisations engage in global growth and enter a new country, there are significant challenges to be faced. The correct balance between economic growth social responsibilities needs to be achieved. Organisations with operations in established locations also need to consider how best to address their social responsibilities. Improvements can result in positive benefits for local communities as well as global stakeholders.

Engaging in CSR activities helps organisations to expand globally, particularly into developing economies. Such actions can improve an organisation's local reputation, while helping to legitimise profits and reduce public criticism.

Ensuring that local people are trained and developed for future leadership positions is a socially responsible thing to do. Embedding CSR within talent development programmes can provide globally mobile opportunities to local staff in developing economies.

BEYOND THE BUSINESS CASE

CSR activities provide a wide range of business benefits. For example, a good CSR track record helps to avoid business risks such as corruption or environmental scandals. Responsible CSR also enhances organisations' reputations which, in turn, can assist in gaining capital investment.

Investors may seek out ethical firms as the preferred business in which to invest when corporate governance places emphasis on social responsibility. Demonstrating sound CSR principles also helps to boost brand image and customer relations, attraction and retention.

However, as well as the business case argument, engaging in socially responsible business practices demonstrates a moral imperative through commitment to social justice.

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